

Message Text

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ACTION EB-04

INFO OCT-01 SS-04 ISO-00 NSC-04 NSCE-00 TRSE-00 FRB-03

INR-01 CIEP-01 CIAE-00 RSC-01 DRC-01 /020 W

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R 051037Z JUN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0961

INFO AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 06989

LIMDIS GREENBACK

DEPARTMENT ALSO PASS TREASURY AND FRB

E.O. 11652: XGDS-1, DECLAS 6-5-04

TAGS: EFIN, UK

SUBJECT: U.K. TREASURY VIEWS ON: MAY 29 EC MONETARY COM-
MITTEE MEETING; EC FINANCE MINISTERS MEETING
JUNE 6; AND FORTHCOMING C-20 DEPUTIES
AND MINISTERS MEETINGS

REF: A) LONDON 6568; B) BRUSSELS 3673

SUMMARY: U.K. TREASURY OFFICIAL WHO ATTENDED EC MONETARY
COMMITTEE MEETING MAY 29 AND WHO WILL BE INVOLVED IN EC
FINANCE MINISTERS MEETING JUNE 6 AND IN C-20 MEETINGS
GAVE TREASURY REPS FURTHER ELABORATION OF U.K. VIEWS.
NO SURPRISES SHOULD BE EXPECTED FROM THE BRITISH. END
SUMMARY.

1. WHEN DISCUSSING EC MONETARY COMMITTEE MEETING, SOURCE
CONFIRMED GENERAL LINE REPORTED IN REF B. ON GOLD, HE
SAID MONETARY COMMITTEE DECIDED THERE WOULD BE NO DISCUS-
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SIONS OR DECISIONS AT WASHINGTON C-20 MEETINGS, AT LEAST

NOT FORMALLY. MONETARY COMMITTEE CONSIDERED ADDITIONAL BILATERAL EC-US DISCUSSIONS WERE NECESSARY BEFORE FURTHER PROGRESS COULD BE MADE. ITALIAN DELEGATE REPORTEDLY SAID HE COULD NOT GUARANTEE THAT HIS MINISTER WOULD NOT MAKE SOME FORM OF SUBSTANTIVE INTERVENTION AT C-20 MEETING. IN CORRIDOR CONVERSATION AT MONETARY COMMITTEE MEETING, THERE WAS ALSO SOME QUESTION AS TO THE WISDOM OF WITTEVEEN'S TRIP TO EUROPE TO DISCUSS NEW IMF PROPOSALS FOR GRANTING IMF CREDITS IN EXCHANGE FOR GOLD PLEDGED AS COLLATERAL. SOME PARTICIPANTS (UNIDENTIFIED) THOUGHT WITTEVEEN'S RAISING THIS NOW COULD COMPLICATE OTHER ITEMS UNDER DISCUSSION.

2. DURING MONETARY COMMITTEE MEETING, ON ISSUE OF LEGALITY OF FLOATING, GERMANY AND THE U.K. ARGUED IN FAVOR OF LEGITIMIZING FLOATING AS ONE POSITIVE RESULT OF C-20 MEETING. FRANCE IS OPPOSED. LOW-KEY QUESTION WAS PUT BY U.K. TO DELATTRE AS TO WHETHER FRENCH POSITION WAS ONE OF BASIC OPPOSITION AS MATTER OF PRINCIPLE OR IF AT LAST MOMENT FRENCH COULD BE EXPECTED TO YIELD ON THIS POINT IN ORDER TO PROMOTE AGREEMENT ON LARGER RANGE OF TOPICS. DELATTRE REPORTEDLY REPLIED HE COULD NOT ANSWER; IT WAS A MATTER FOR DECISION AT THE POLITICAL LEVEL.

3. CONDITIONS FOR RESURRECTING JOINT FLOAT. U.K. IN JOCULAR FASHION(AND PERHAPS IN PRIVATE) ASKED GERMANS IF THEY WANTED TO REVIEW FORMER CHANCELLOR BARBER'S CONDITIONS FOR U.K. REJOINING EC FLOAT (SEE LONDON 2718, MARCH 7, 1973). U.K. APPARENTLY TOOK LOW PROFILE POSITION DURING THESE DISCUSSIONS, GIVEN ITS WEAK INTERNATIONAL FINANCIAL POSITION. IT COULD ONLY BE PLACED IN POSITION OF DEMANDEUR OR SUPPLIANT IF IT ACTIVELY PURSUED THE QUESTION. (ANOTHER VERY SENIOR CONTACT IN H.M. TREASURY SEES NO LIKELIHOOD OF U.K. REJOINING FLOAT IN FORESEABLE FUTURE.) SOURCE DID NOT THINK THERE WOULD BE ANY CHANGES TAKEN AT EC FINANCE MEETING JUNE 6 IN BASIC LINES ENDORSED BY EC MONETARY COMMITTEE.

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4. LOOKING TOWARDS WASHINGTON, SOURCE SAID U.K. CONSIDERS ONE POSSIBLE OUTCOME OF G-10 DINNER DISCUSSION BEING TRANSFER OF WASHINGTON ENERGY CONFERENCE WORK ON FINANCIAL ASPECTS OF ENERGY PROBLEM TO THE G-10. U.K. DOES NOT CONSIDER THAT OECD, I.E., VAN LENNEP, SHOULD BE CHARGED WITH THIS TASK.

5. U.K. IS STILL INTERESTED IN KNOWING HOW MUCH FLEXIBILITY IF ANY, THERE IS IN THE U.S. POSITION ON MAINTENANCE OF VALUE FOR SDRS VERSUS ANY TRADE-OFF IN RETURN FOR CHANGED EUROPEAN POSITIONS ON AMENDING IMF ARTICLES, INCLUDING MAKING FLOATING LEGITIMATE. U.K. DELEGATES WILL PROBABLY EXPLORE THIS BILATERALLY WITH U.S. EARLY NEXT WEEK.

6. CHANCELLOR HEALEY REPORTEDLY LOOKING FORWARD VERY MUCH TO HIS WASHINGTON VISIT. U.K. TREASURY STAFF RATE HIM VERY HIGHLY, INCLUDING HIS INTELLECTUAL ABILITY TO DIGEST COMPLEX BRIEFS. THEY EXPECT HE WILL TAKE AN ACTIVE PART IN THE C-20 DISCUSSIONS, BE CONCILIATORY, AND NOT ATTEMPT CONFIDENTIAL

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TO ROCK ANY BOATS.

7. IN LONGER TERM CONTEXT, SOME SENIOR U.K. TREASURY STAFF APPARENTLY QUITE PESSIMISTIC ON OUTLOOK FOR WORLD TRADE AND POSSIBLE WORLD RECESSION DURING 1975. THEY CONSIDER OFFICIAL U.S. DOMESTIC ECONOMIC FORECASTS MAY BE TOO OPTIMISTIC. CURRENT U.K. TREASURY INTERNAL VIEWS ARE REPORTEDLY IN LINE WITH THOSE EXPRESSED IN ECONOMIST THIS WEEK ON POSSIBLE FORTHCOMING WORLDWIDE SLUMP, BELIEVING SEVERITY OF THE DEVELOPING SITUATION MAY BE GREATER THAN EXPECTED. MAJOR INTERNAL PAROCHIAL U.K. CONSIDERA-

TIONS REMAIN HOW TO DEAL WITH INFLATION, ASSURE A REASON-
ABLE RATE OF GROWTH, AND PROVIDE SUFFICIENT GROWTH OF
INDUSTRIAL CAPACITY TO ALLOW HIGH LEVEL OF EXPORTS AND
REASONABLE LEVEL OF DOMESTIC CONSUMPTION WITHOUT PROMOTING
AN IMPORT BOOM AS WELL.

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